

Problems in Access to Finance for Female Entrepreneurs: A case of Khushhali Bank Ltd, Hyderabad, Pakistan

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Abstract: The purpose of this paper is to analyze Pakistani microfinance institution namely Khushhali Bank Ltd with it in terms of lending to female entrepreneurs in particular. The study was conducted to have an overview of the existing conditions, problems / barriers / hindrances in access of finance for female entrepreneurs based in Hyderabad. It was also conducted to come up with recommendations / suggestions to address existing problems to promote entrepreneurship in Hyderabad. The analysis was based on primary data collection through structured questionnaire. The total sample size was of (50) fifty female entrepreneurs of Hyderabad. The findings of the report based on in-depth interviews with office and field staff of Khushhali bank, as well as survey from female entrepreneurs, both clients and non clients of Khushhali bank for these factors is taken in order to know which is the most influential factor amongst all hindering the access to finance for them. The results shows most of the female entrepreneurs that is 60% favor the individual lending programs and only 18% favor the group lending methodology. Things that matter in individual lending programs are the need of collateral, high interest rate and other tough requirements. These factors are analyzed through regression model to find out which are the most influential factors that hamper the female borrowings through micro financial institutions. The paper concludes the collateral to be the most influential factor followed by interest rates, literacy and loan processing timings which haunts the female entrepreneurs to access finance from a micro financial institution.

[Paras S. Katper, Sheeraz A. Katper. **Problems in Access to Finance for Female Entrepreneurs: A case of Khushhali Bank Ltd, Hyderabad, Pakistan.** *World Rural Observ* 2019;11(3):74-79]. ISSN: 1944-6543 (Print); ISSN: 1944-6551 (Online). <http://www.sciencepub.net/rural>. 12. doi:[10.7537/marswrol10319.12](https://doi.org/10.7537/marswrol10319.12).

KeyWords: KBL = khushhali bank ltd, MFI= micro finance institutions

Introduction

All over the world microfinance plays a significant role in the endorsement of financial insertions for the advantage of the poor. Financial access is extremely low in Pakistan; microfinance has the potential to boost access to a wide range of financial services. Equally vital to growing outreach overall is the importance of reaching out to women in general and, particularly, women entrepreneurs (GPI and IFC, 2011).

According to Microfinance Information Exchange data collected at end of 2010, women share of micro finance borrowing is 45 percent in Pakistan with share of Khushhali bank of 325,523. This is stumpy in contrast to other South Asian economies such as Bangladesh and India, where the ratios are 91 percent and 94 percent, respectively. Pakistan's potential microfinance market estimated by the Pakistan Microfinance Network is currently place at close to 27.5 million clients. As of December 2011, Pakistan Microfinance Network data show that, the share of women borrowers has increased—total active borrowers stand at 2.1 million of which 1.2 million are women—but this still remains significantly below regional peers (PMN, 2011).

In urban areas earlier research on programs that loan only to women showed that only 28 percent of the women borrowers, on average, used the loans themselves. Study on rural support programs reveals that 42 percent of the women take loans exclusively on behalf of men in their family (Khan and Khan, 2008).

The theme identifies intellect to low outreach of micro financing to women, through case perusing the Khushhali bank Ltd of Pakistan, being the 1st public sector micro finance camber in Pakistan, it has more share in the market than any other public ltd camber in Pakistan.

Materials and Method

The study reveals two forms of aspect affecting the female credit borrowings. The strategic factors like the essential for loan differ which create illation in gaining credit from the camber by female entrepreneurs like requirement of experience, building complex documentation, collateral and processing time etc. Second, the social factors like trainings, language, literacy, class conflict etc also affect the carrying out of MFIs.

The paper focuses on what areas factors are adopted or to be adjusted by the banks to increase female outreach and develop female entrepreneurs.

Research Methodology

Research design involves a series of rational decision making of choices among different tools of data collection and data analysis. The research follows mixed methodology. This will describe procedures and steps that will be adopted and conduct this research. Research design concludes: literature review, primary data collection through interviews and field survey.

Primary data is collected through interviewing the bank staff personally, factors are identified through the interviews which might affect the female entrepreneurs and a general perception of the bank is known.

Secondly the factors are categorized and incorporated in the questionnaire to further inquire about the influence of each factor on to the female entrepreneur's financial activities through a survey which include bank clients and non bank clients.

The results than are analyzed through statistical measures to find the most influential factors in course of attaining credit by female entrepreneurs.

Data Collection

The sample data is collected randomly from different parts of Hyderabad. Random sampling procedure was followed to select the sample. The total number of sample becomes fifty (50) for this study.

Data Analysis

In order to analyze the collected data regression analysis has been carried out which is used to express the causal relationship between the credit constraint of

female entrepreneurs regarding as dependent variable and factors that hinder the possibility of their activities. This analysis helps in developing a model which includes a dependent variable (Access to finance) and several independent variables (experience, collateral, interest rate, etc).

Description of Model

The problems faced by female entrepreneurs in accessing credit may be caused by different developmental and social factors such as, collateral, education, language, Experience, etc. All these factors are incorporated from primary research and data, the policies and procedures mainly of Khushhali bank are considered as the factors, included in the survey questionnaire to predict the most affecting the borrowing activities of female entrepreneurs.

Results

There are several criteria that can be used to guide the selection procedure of independent variable in the model. The entry selection of independent variable into the model can be based on the greatest reduction in the -2LL value; the greatest Wald coefficient, or highest conditional probability (Hair et al 2009). In this study the R2 is taken as criteria for developing the model.

All the variables are analyzed through regression tests all together to find the likelihood value and model fit values as base model. The values are shown in the table 5.3.

Table 5.3 Variable in Equation

		B	S.E.	Wald	df	Sig.	Exp (B)
Step 1 ^a	Collateral	-.394	.942	1.768	1	.010	.674
	Interest rate	1.255	.897	1.958	1	.026	3.508
	Process timing	-1.644	.979	2.821	1	.039	.193
	Literacy	.860	.770	1.248	1	.024	2.364
	Complex Documentation	.603	.726	0.89	1	.407	1.827
	Experience	-.850	.698	.486	1	.223	.427
	Trainings	-.784	.674	0.712	1	0.05	.473
	Constant	-.436	2.153	.041	1	.020	.647

a. Variable (s) entered on step 1: collateral, interestrate, processtiming, literacy, complex documentation, experience.

Table 5.4 Model summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	62.492 ^a	.124	.171

Each variable is analyzed individually by running separate tests for all and values of wald, likelihood, cox and snell R Square and Nagelkerke R Square are been taken for developing the regression model.

Values of Individual Influential Factors in Regression Model

Table 5.5: Influential Factors

FACTORS	WALD	(-2 LOG Likelihood)	Cox & Snell R Square	Negelkerke R Square
Collateral	1.768	63.8	0.007	0.012
Documentation Problem	0.89	62.2	0.034	0.047
High Interest Rate	1.747	62.36	0.015	0.024
Literacy	1.5	62.6	0.028	0.041
Loan Processing Timing	1.967	61.79	0.045	0.062
Experience	0.63	62.4	0.03	0.045
Trainings	0.712	62.8	.029	.036

As seen in the above table the regression model is constructed with the increasing value of cox and snel R Square 0.7 to Negelkerke R square 1.2 for collateral followed by high interest rate that is 1.5 to 2.4, literacy issue 2.8 to 4.1 and 4.5 to 6.2 for loan

processing timing. The regression model results in a model fit adding another variable documentation problem with values 3.4 to 4.7 distracts the model.

The variables which have turned most influential, on the basis of these R Square values are.

Table 5.6 Influential and Non Influential Factors

Most Influential Factor	Cox & Snell R Square	Negelkerke R Square
Collateral	0.7	1.2
High interest rate	1.5	2.4
Literacy	2.8	4.1
Loan processing timing	4.5	6.2
Documentation problem	3.4	4.7
Trainings	2.9	3.6
Experience	3	4.5

The factors that are collateral, high interest rates, literacy rate and loan processing time from the table 5.5 are taken as most influential factors and only included in the model and regression tests are applied on it, the results shown in table 5.6 provide with a significance value of.029 which shows the test as significant, the Hosmer Lemeshow test 0.517 which

shows chi-square in significant to support the model, and wald with value of 5.54.

The most influential variables are then analyzed together to understand the affect of factors in the best fit model. The table below shows the values for variables in the model.

Table 5.7 Influential variables in equation

Variables in the Equation							
Step		B	S.E.	Wald	df	Sig.	Exp (B)
1 ^a	collateral	-.639	.891	.515	1	.000	.528
	interest rate	1.499	.872	2.956	1	.008	4.479
	process timing	-1.668	.972	2.946	1	.006	.189
	literacy	.915	.741	1.524	1	.021	2.498
	Constant	-.927	1.798	.266	1	.000	.396

a. Variable (s) entered on step 1: collatoral, interestrates, processtiming, literacy.

Table 5.8: Model Summary Table

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	54.676 ^a	.212	.538

The increase in R Square values and Decrease in likelihood values indicate the influence of the variables to the constant variable.

Table 5.9: Regression Model Support Table

HOSMER & LEMESHOW TEST		WALD	SIGNIFICANCE
0.517	Model supported	5.545	0.029

Table 5.9.1: Significance of the Model

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	6.197	7	.517

Assessment of Overall Model Fit

To assess the model fit, several measures should be considered. First is the change of -2LL value. It could be seen that the single model, the -2LL value is reduced significantly from the base model value of 62.5 to 54.6. It is suggested that the smaller the values of -2LL, the better the model fit. The next measures are the values of the cox and snell R Square and Nagelkerke R Square values increase gradually from 0.12 to 0.21. At the last stage converting R Square

value of the model into percentage that is 0.53 to 53.8 shows that 53% variance of dependent variable is accounted by the logistic regression equation.

This value is strong enough to consider the equation significant. Another measure should be considered in assessing the model fit is Hosmer and Lemeshow value that measures the correspondence of the actual and predicted value of the dependent variable, and therefore the good model fit is indicated by a non significant chi-square value.

Table 5.9.2: Comparison of the Models

Step	-2LL	C & S R2	NR2	Chi-Square	Sig
Base Model	62.5	.124	.171	-	-
Final Model	54.6	0.23	0.53	6.1	0.57

In summary, in the model with dependent variable (defined as 1 for accessing to finance and 0 for no accessing to micro finance) the test of full

model with six dependent variables showed a statistical significance as a whole with p value lower than .05, as shown in the table 5.9.3 are.

Table 5.9.3: Detailed Influential Variables

Variable	B	S.E	Wald	Sig
collateral	.394	.942	1.768	.010
literacy	-.860	.770	1.248	.024
interest rate	1.255	.897	1.958	.026
process timing	-1.644	.979	2.821	.039

There are significant relationships between problems in accessing micro financing and predictors as collateral, literacy issue, interest rates, and processing time. Therefore, it is concluded that out of the 6 independent variables, 4 variables are perceived by the female entrepreneurs of Sindh to have potential impact on the success of micro financing.

It is also interesting to see that the inclusion of four variables in the model give 96% of ease to access the micro financing activities for female entrepreneurship. Out of these four on the basis of the significance the 1st two variables make a 74% of the influence on the micro financial activities. These

above findings are incorporated into a model fig 5.9.4, showing the successful as well as influential factors towards the access of micro financing by female entrepreneurs operating in Sindh.

Regression Model

The factors above are analyzed and a model is prepared showing the effect of each factor on the access of finance for female entrepreneurs. The model below shows collateral and high interest rates being the most influential factors followed by literacy or awareness issue and documentation problem respectively.

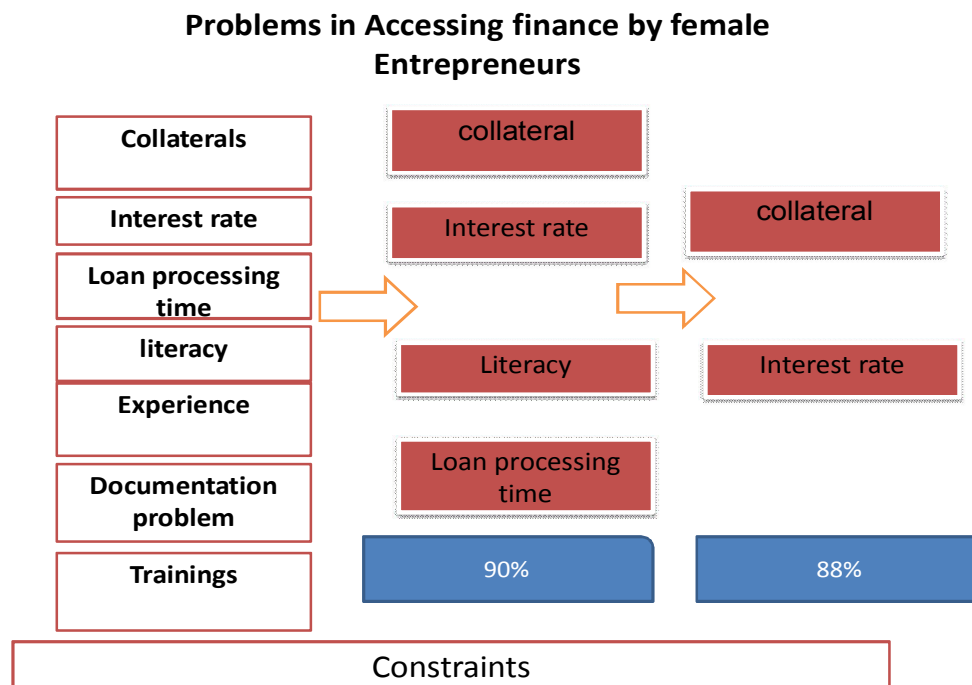


Figure 5.9.4: Regression Model

The results show significant impacts of the borrowers and non bank borrowers who wish to attain the facility but hindered due to the requirements of not aware of the policies. The collateral and high interest rates are found to be the most influential variables and count 88% of limiting the outreach, followed by loan processing time and awareness i-e literacy issues.

Also the research provides evidence that female entrepreneurs support the individual lending programs for their business support as compared to the group lending methodologies. The trust purpose and lack of social interactions restricts them to form groups.

Conclusions

The Bank raised an issue of mis-utilization of the loans by male heads of their houses which increase the need to further evaluation of the loan application purpose. This can be an area for further study.

Khushhali bank perspective on the model is not included in the research which can be further explored.

Khushhali bank along with micro financing is also providing with other services which cause them to allocate time and energies equally distributed to other areas, which is not studied and can be followed.

Acknowledgements:

Foundation item: The Authors are grateful to the Mehran University Institute of Science, Technology and development, support to carry out this work.

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9/25/2019